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JOINT INSPECTION UNIT

Analysis of cost savings from JIU reports, 1985-1992

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Joint Inspection Unit entitled "Analysis of cost savings from JIU reports, 1985-1992" (JIU/REP/93/7).

ANALYSIS OF COST-SAVINGS FROM JIU
REPORTS AND NOTES, 1985-1992

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**Geneva
1993**

EXECUTIVE SUMMARY AND INSPECTORS' CONCLUSIONS

Selected for integrity, objectivity, system-wide knowledge and expertise, the Joint Inspection Unit's Senior Adviser and Consultant has analyzed for their cost-savings implications the 394 recommendations in the 74 JIU Notes and Reports issued between 1 January 1985 and 31 December 1992. Of these recommendations he has isolated 30 specific recommendations in 14 Notes and Reports as particularly susceptible to the quantification the Joint Inspection Unit requested him to make.

With the explicit authorization of the Unit, the Senior Adviser and Consultant invoked the assistance of the JIU's Participating Organizations in quantifying the selected recommendations. He has reported receiving excellent co-operation from these Organizations in an admittedly difficult task.

As a result of this detailed review and analysis, the Senior Adviser and Consultant has identified \$78,400,000 in cost-savings which resulted, or could have resulted, from the implementation of JIU recommendations over the eight year period under review. This amount compares very favorably to the 24 million dollars it took to operate the Unit over the same period.

However, both the Senior Adviser and Inspectors recognize that the insistence on maximum possible agency verification and the elimination of many recommendations from consideration because of significantly greater difficulties in quantification have resulted in less than full justice being done to the savings inherent in those recommendations which have not been selected for study. Nevertheless, the rigor and conservatism of the Senior Adviser's analysis and the difficulties implicit in the quantification process have persuaded Inspectors in the future:

1. To be more specific and action-oriented in formulating their recommendations;
2. To seek, in close consultation with Participating Organizations, to identify the programme budget implications (expenditures and cost-savings) of their recommendations;
3. To continue to welcome proposals from the ACABQ that the Unit inspect or investigate matters coming to the Advisory Committee's attention during its examination of budgets, financial accounts and other reports and documentation of the Participating Organizations; and
4. To focus more rigorously on the potential for cost-savings in developing and carrying out the Unit's work programme.

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I. REPORT OF THE SENIOR ADVISER: INTRODUCTION AND METHODOLOGY

1. One of the functions, powers and responsibilities contained in the Statute of the Joint Inspection Unit is that it shall "satisfy itself that the activities undertaken by the [Participating] Organizations are carried out in the most economical manner and that optimum use is made of resources available for carrying out these activities."

2. In paragraph 60 of its report to the forty-seventh session of the General Assembly (A/47/34), pursuant to the above statutory function, the Unit referred to the possible amount of savings which it believes would have resulted from the implementation of some of the recommendations contained in its Notes and Reports. This same report to the General Assembly also stated that "despite the difficulties involved, the Unit recognized the importance of quantifying its cost savings and has such an analysis in process."

3. Therefore, in October 1992 the Unit engaged a Senior Consultant to assist in carrying out the analysis of the cost savings contained in JIU Notes and Reports issued between 1 January 1985 and 31 December 1992, an eight year period. The Senior Consultant was requested to examine in detail all of the Unit's Notes and Reports issued during the eight year period, to study all recommendations contained in those Notes and Reports and to endeavor to quantify or estimate, if possible, the cost savings to Member States and Participating Organizations that could realistically be linked to the specific recommendations, if implemented or not. The complete terms of reference for the Senior Consultant are contained in the Annex.

4. The Senior Consultant obtained, read and studied each of the 74 Notes and Reports issued between 1 January 1985 and 31 December 1992 plus all the documents of the General Assembly, the Secretary General, the Advisory Committee on Administrative and Budgetary Questions, the Economic and Social Council, the Administrative Committee on Co-ordination and the Participating Organizations which were related to these JIU Notes and Reports. In addition, because some Notes and Reports contained in the eight year period under review made reference to previously issued JIU Notes and Reports, it was necessary for the Senior Consultant to also examine these additional JIU Notes and Reports issued before 1 January 1985. Obtaining all of the necessary background documents proved to be a difficult and time-consuming task because a single data base did not exist in the United Nations system containing all relevant JIU documents.

5. Out of this voluminous material, which contained 394 recommendations covering, *inter alia*, the review, revision and clarification of important policy issues, the evaluation of Participating Organizations' programmes and activities, the improvement of management and methods, revisions of organizational or

secretariat structures, strengthening or increasing programmes and activities and, finally, proposals whose implementation would lead to cost savings, the Senior Consultant was requested to develop a methodology for quantifying or estimating these cost savings.

6. Of the 74 JIU Notes and Reports issued in the eight year period selected for examination, some 14 Notes and Reports contained recommendations which the Senior Consultant felt could be quantified or estimated with the assistance of the Participating Organizations. In all, 30 specific recommendations were identified in the 14 Notes and Reports as possibilities for quantifying or estimating the cost savings that could ensue, if implemented. An analysis listing the 30 cost saving recommendations is provided in the following chapter.

7. It became clear to the Senior Consultant that a number of other JIU recommendations contained in the 74 Notes and Reports dealing with, for example, policy issues or the improvement of management and methods also contained the possibility of resulting in cost savings for Member States and Participating Organizations, if implemented, but that the quantification or estimation of the likely cost saving would be too difficult to determine or would require an excessive work effort and substantial cost. It was also clear from the detailed examination of the 394 recommendations in the 74 JIU Notes and Reports issued in the eight year period under review that many important and useful recommendations made by Inspectors had not focused on cost savings aspects as this was not considered as the only objective of the Unit or the only way to measure the JIU's effectiveness.

8. The examination of cost savings in JIU Notes and Reports would also have been more revealing if some earlier issued JIU Notes and Reports could have been taken into account, for example the 1977 Report on First Class Travel in the United Nations' Organizations, the 1980 Report on Control and Limitation of Documentation in the United Nations System, the 1980 Report on Management of Interpretation Services in the United Nations System as well as the 1993 Report on Decentralization of Organizations within the United Nations System, Part III: The World Health Organization. While the estimated amounts of cost savings involved in these additional reports were not quantified, it is the view of the Senior Consultant that the amounts involved would have been meaningful.

9. Following the segregation of the 30 specific recommendations contained in the 14 JIU Notes and Reports, letters were sent to each Participating Organization requesting additional information on cost savings possibilities. Efforts were made to involve the Participating Organizations in the cost savings examination because it was recognized that they are the only ones with sufficient knowledge and familiarity with their own internal operations to provide the key elements necessary

for the quantification or estimation of cost savings. In the preparation of this report the Participating Organizations have co-operated and assisted the Senior Consultant in an excellent manner and most Participating Organizations have replied to the requests made for additional data and cost savings information. Several replies were not as complete or comprehensive as expected, no doubt due to the volume of work involved in the task, other higher priorities in the Participating Organization and staff shortages in some key services. Nevertheless, the Senior Consultant used the information received to the maximum extent and supplemented it, where required, in order to complete the cost savings examination and achieve the JIU's original objective which was to quantify the cost savings in some of the JIU Notes and Reports despite the difficulties involved.

**II. REPORT OF THE SENIOR ADVISER: ANALYSIS LISTING
EACH OF THE 30 COST SAVING RECOMMENDATIONS
BY JIU NOTE OR REPORT**

10. As noted in paragraph 6 above, the following 30 recommendations from 14 JIU Notes and Reports were identified as reasonable possibilities for quantifying or estimating cost-savings with the assistance of the relevant Participating Organizations:

JIU/REP/85/2

"The changing use of computers in organizations of the United Nations system in Geneva: Management issues" (Prepared by Inspector Earl D. Sohm).

This JIU report contains one recommendation which it is believed would result in substantial cost savings to the United Nations system, if implemented. This recommendations is:

RECOMMENDATION 8. The Administrative Committee on Co-ordination (ACC) should develop the best possible proposal to extend to the specialized agencies of the system telecommunications arrangements which are presently granted only to the United Nations, and present this proposal to the earliest possible meeting of the Administrative Council of the International Telecommunication Union (ITU).

JIU/REPORT/85/13

"Follow-up report on organization and methods for official travel" (Prepared by Inspector Miljenko Vukovic).

This JIU report contains proposals which it is believed should have resulted in cost savings, if implemented. Recommendation 1 states:

"The Secretary-General should prepare a comprehensive report to the forty-first session of the General Assembly describing what he has done, up through the preparation of the report, to implement the JIU recommendations endorsed by the General Assembly in resolution 37/241. Specifically the report would inform on:

(a) The feasibility of establishing an in-plant operation or a United Nations owned and operated travel agency at United Nations Headquarters with in-house branch offices at all major duty stations. If the Secretary-General concludes that it is feasible to have either one or the other and if he has not yet acted to do so, he would inform the Assembly on the time-frame for doing so. Conversely, if the Secretary-General considers that no form of in-plant arrangement is a viable proposition nor is a United Nations-owned and operated agency a feasible scheme, he would explain clearly why, through the provision of legal, economic, financial, managerial (including human resource and general administrative elements) and moral reasons;

(b) The efforts made to seize extant opportunities to reduce costs through direct purchase of tickets from air carriers around the world; through participation in the various incentive schemes of air carriers; through the purchase of tickets in bulk; and other cost-saving devices. The results of these efforts would be quantified. Obstacles to widening these efforts would be described, with an indication as to whether they can be resolved or whether, for the foreseeable future they constitute an impediment to further gains;

(c) A thorough assessment of the results of the three-year contract entered into with Don Travel Service Inc. effective 1 November 1983. The net financial benefit to the United Nations should be calculated, making use of the United Nations audit review of the travel agency's income. An evaluation of the quality of the service provided should be made with staff participation;

(d) Whether, as recommended by the Inspector in paragraph 62, the contract entered into with Thomas Cook S.A., in Geneva on 1 April 1985 for a period of three years has been terminated;

(e) Whether, as recommended in paragraph 36 of the report, the contract with Don Travel has been extended for a period no longer than one year pending a joint decision on all the issues."

JIU/REPORT/86/7

"Publications of the International Court of Justice" (Prepared by Inspector E. Ferrer-Vieyra)

This JIU report contains one recommendation which it is believed could have resulted in cost savings, if implemented. The recommendation is:

"Recommendation 5. Efforts should be made to lower the Court's printing costs through competitive bidding procedures and by the use of new technology in the printing process."

JIU/REPORT/86/9

"Problems of Storage and its Costs in Organizations of the United Nations System" (Prepared by Inspectors Alexander S. Efimov, Richard V. Hennes and Ivan Kojic).

This JIU report contains nine recommendations which it is believed should have resulted in cost savings, if implemented. These recommendations are:

RECOMMENDATION 1:

(a) Sending letters to Member States and other addressees, inviting them to reconsider both the number of items and copies they receive with a view to reducing them.

RECOMMENDATION 2:

Strict regulations outlining policies for stock review and disposal of surplus of mimeographed documents, official records and publications should be enforced in the organizations where these exist and established and applied where they do not.

RECOMMENDATION 3:

Strict regulations should be established and implemented to create common registries in departments. Archives should be sent to a common Archives Centre, instead of being housed in offices. Such Archives Centres should be under the jurisdiction of trained archivists.

RECOMMENDATION 4:

For financial as well as for safety reasons, the United Nations Headquarters warehouses in Long Island City and Park Avenue should be vacated and stocks moved to the United Nations garage.

RECOMMENDATION 5:

The relocation of numerous storage places at UNOG, already agreed upon between Publishing and General Services, should be implemented as rapidly as possible.

RECOMMENDATION 6:

In the organizations where efficiency and cost-savings can be achieved through such means, compactus equipment, microform storage, computer-based systems and other applications of automation should be introduced and utilized for storage purposes.

RECOMMENDATION 7:

The optical-disc-based system being most promising in resolving the problems of storage and retrieval of documentation, a test project of this system should be initiated as soon as possible. To achieve maximum efficiency and savings, this project should be authorized for UNOG, both in the Publications and Library Services where the storage facilities are the most deplorable.

RECOMMENDATION 8:

The organizations of the United Nations system should temporarily postpone acquiring optical-disc technology, especially in the field of storage and retrieval, so as to see the results of a test project at UNOG in order to acquire a system which can interface existing and future technologies and permit using documentation and facilities of other organizations.

RECOMMENDATION 9:

(a) For UNOG, authorization should be given to finance this test project (acquisition, installation, maintenance and operation of the equipment) by redeploying resources within the 1986-1987 budget and by not applying to the Publishing Service and Library any new cut or deferment in the approved 1986-1987 appropriations, should such measures be deemed necessary again in 1987 to cope with the financial crisis of the Organization.

(b) The agreement should be made with the Park Avenue Warehouse landlord to secure the buy-out money for moving it and the Long Island City Warehouse to the Headquarters.

(c) An appeal should be launched to Member States, either to make advance contributions to the regular budget (to be deducted from their future contributions) or voluntary contributions for the purpose of introducing the optical-disc-based system."

JIU/REPORT/86/11

"Review of UNICEF Activities and Structure" (Prepared by Inspector Alain Gourdon).

This JIU report contains three recommendations which it is believed should have resulted in cost savings, if implemented. These recommendations are:

Recommendation II

The reorganization of the Programme Division should focus on the geographical sections; the technical sections should be abolished and their staff redeployed and cut back.

Recommendation VII

The Under-Secretary-General-level post for external relations should be eliminated through attrition.

Recommendation XI

Like the budget cycle, the cycle of Executive Board and committee sessions should be biennialized; several related measures should be taken as part of this reform.

JIU/NOTE/87/2

"Note on Cost-Benefit of the Construction OF AN ECLAC Office" (Prepared by Inspectors E. Ferrer-Vieyra and Norman Williams).

This JIU note has a single recommendation which states:

"The work planned should be carried out immediately because it offers solutions to the office space problem and represents savings of over US\$ 100,000 per year."

JIU/REPORT/87/4

"Autonomous Research Institutions of the United Nations" (Prepared by Inspector Norman Williams).

This JIU report has one recommendation which it is believed should have resulted in cost savings, if implemented.

"RECOMMENDATION 3 - Income generating activities

Institutes which have not already done so should consider the possibility of offering income-generating activities to their users in order to strengthen their financial viability. These activities could comprise:

- advisory or consultancy services on a fee basis;
- studies, training courses or other tasks undertaken on behalf of United Nations agencies or multi-bi trust fund agencies under United Nations system auspices."

JIU/NOTE/88/1

"Note on Removal Costs" (Prepared by Inspector E. Ferrer-Vieyra)

This JIU Note has a single recommendation which states:

"upon the separation from service of a staff member or on change of duty station and at his request, the Secretary-General may grant a lump-sum allowance in place of removal expenses. The amount of this allowance may not exceed 75 per cent of the house-to-house transportation costs; costs other than transportation costs cannot be taken into consideration."

JIU/REPORT/88/3

"Representation of Organizations of the United Nations System at Conferences and Meetings - Part A. The United Nations" (Prepared by Inspector Ivan S. Kojic)

This JIU Report contains two recommendations which it is believed should have resulted in cost savings, if implemented. These recommendations are:

"RECOMMENDATION 3

- (a) The practice of passive participation should be reconsidered and seriously reduced;
- (b) Attendance of the United Nations departments at conferences and meetings should be limited to one person;
- (c) Wherever liaison or field office exists in the venue of a meeting, travel from Headquarters for representational purposes should not be allowed, unless the meeting is of highly specialized nature, and;

RECOMMENDATION 4

The length of attendance at meetings held outside of Headquarters, which would incur high expenditures for travel and per diem, should be kept to the minimum."

JIU/REPORT/88/7

"Representation of organizations of the United Nations System at Conferences and Meetings. Part B. The Specialized Agencies" (Prepared by Inspector Ivan S. Kojic).

This JIU report contains one recommendation which it is believed should have resulted in cost savings, if implemented. This recommendation is:

RECOMMENDATION 6

With a view to achieving substantial savings and better utilization of human resources, the attendance at international meetings should be limited, as a general policy rule, to one representative and only during the period of discussions of the agenda item of direct interest to the organization. This should explicitly be stated in the decision on designation of representatives.

JIU/REPORT/89/9

"Budgeting in Organizations of the United Nations System" (Prepared by Inspector Siegfried Schumm).

This JIU report contains one recommendation which it is believed should have resulted in cost savings, if implemented. That recommendation is:

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RECOMMENDATION 5

Member States which tax the salaries of international civil servants of the United Nations system should compensate, entirely and timely, the costs of administering special arrangements (Tax Equalization Funds, special agreements, etc.) for reimbursements of income tax levied to the staff members concerned. The Member States concerned should make advance payments sufficient to cover the estimated income taxes payable and the costs of administering these arrangements.

JIU/REPORT/89/11

"From the Optical Disc Pilot Project at UNOG to an Optical Disc System for the United Nations" (Prepared by Inspectors Richard V. Hennes, Ivan S. Kojic and Boris P. Prokofiev).

This report contains three proposals which it is believed should, in the long run, result in considerable cost savings for the United Nations, if implemented, even though there would be an initial cost associated with the installation of a fully operational optical disc system in the United Nations. The three recommendations are:

RECOMMENDATION 1:

A fully operational disc system for storage and retrieval of recent and future documentation should be installed in the United Nations Secretariat. The General Assembly may wish to provide in the 1990-1991 budget appropriate resources for such a system;

RECOMMENDATION 2:

Should the General Assembly adopt recommendation 1 and United Nations Secretariat in-house resources prove insufficient, it may wish to consider the possibility of contracting out the inputting on optical discs of all existing United Nations documentation which will allow the preservation of the institutional memory of the Organization, the ready availability of all United Nations documentation, and substantial additional savings, and;

RECOMMENDATION 3:

The legislative bodies of the agencies of the United Nations system may wish to consider the possibility of installing operational systems of their own. In this eventuality, the results of the UNOG optical disc pilot should be utilized. Paramount consideration should be given to ensuring the most cost-effective configuration compatible with those to be installed in the United Nations Secretariat and the permanent missions of Member States.

JIU/REPORT/90/4

"African Institute for Economic Development and Planning (IDEP)" (Prepared by Inspector Norman Williams).

This JIU report contains two recommendations which it is believed should have resulted in cost saving, if implemented. These two recommendations are:

"RECOMMENDATION 3

- (a) Discussions should be held with the host government for the absorption of five general service posts, at present assigned to cleaning and maintenance duties. Steps in this direction are underway, and should be actively pursued.
- (b) The number of translators and interpreters could be reduced to one permanent translator/interpreter, using freelance personnel as the need arises.

RECOMMENDATION 4

Meetings of the Governing Council should be held once a year only, immediately before the annual Conference of Ministers of ECA. such an action would further rationalize and reduce expenses."

JIU/NOTE/91/1

"Note on Transport Operations of the United Nations Children's Fund (Programming and Management Issues)" (Prepared by Inspector Siegfried Schumm).

This JIU note contains three recommendations which it is believed should have resulted in cost savings. These three recommendations are:

RECOMMENDATION 1: Medium-term reduction of transport costs

During the next medium-term plan period 1992-1996 UNICEF should aim to reduce the ratio of transport costs to overall programme expenditure from 11 per cent in 1990 to about half of this percentage (paragraph 99).

RECOMMENDATION 8: Fewer four-wheelers and more two-wheelers

More efforts should be made to select fewer four-wheel drive vehicles and more two and three wheelers, bearing in mind recommendation 1 (paragraphs 53 and 54).

RECOMMENDATION 13. Spare parts

UNICEF should no longer supply spare parts in the value of 10 per cent of new transport equipment but on the basis of documented consumption of previously supplied parts. More emphasis should be laid on the rational and integrated management of spare parts for the benefit of all UNICEF-assisted programmes at the country level. United Nations system co-operation should also be sought where feasible (paragraphs 69 and 93).

III. REPORT OF THE SENIOR ADVISER: FINDINGS AND CONCLUSIONS

11. As a result of the detailed review of the 30 recommendations contained in the 14 JIU Notes and Reports issued between 1 January 1985 and 31 December 1992 that were identified by the Senior Consultant as having cost savings potential, the total estimated biennial cost savings amounts to \$78.4 millions. The individual tabulation of this estimate is contained in the following table.

12. Some of the future consequences of the JIU examination of the cost savings potential contained in its recommendations could be:

- Recommendations contained in JIU Notes and Reports should be much more specific and action oriented;
- Recommendations which would require the expenditure of additional resources or result in cost savings to Member States and Participating Organizations would contain this information in the JIU note or report, developed in close consultation with the Participating Organization or Organizations involved;
- Closer contact and collaboration might be developed between the JIU and the ACABQ with the latter requesting the JIU to inspect or examine issues, questions or problems that come to ACABQ's attention during its examinations of the budgets, financial accounts and other reports and documentation of the Participating Organizations; and
- Inspectors themselves should have a better understanding of the need and procedures necessary to focus more on the cost savings potential, where appropriate and possible. JIU Notes and Reports could provide adequate explanatory information on the cost savings potential for Member States and Participating Organizations.

TOTAL BIENNIAL ESTIMATED COST SAVINGS

JIU Note or Report Number	Recommendation Number	Amount (U.S. Dollars)
R/85/2	8	14,600,000
R/85/13	1	3,000,000
R/86.7	5	100,000
R/86/9	1 - 2 - 3 - 4 2,000,000 5 - 6 2,000,000 7 - 8 - 9 - Sub-total	4,000,000
R/86/11	2 2,500,000 7 400,000 11 700,000 Sub-total	3,600,000
N/87/2	1	200,000
R/87/4	3	600,000
N/88/1	1	5,600,000
R/88/3	3 1,000,000 4 - Sub-total	1,000,000
R/88/7	6	6,100,000
R/88/9	5	1,500,000
R/89/11	1 - 2 - 3 24,700,000 Sub-total	24,700,000
R/90/4	3 200,000 4 200,000 Sub-total	400,000
N/91/1	1 10,000,000 12 2,000,000 13 1,000,000 Sub-total	13,000,000
GRAND TOTAL		78,400,000

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TERMS OF REFERENCE

Purpose of the review

To examine in detail all JIU Reports and Notes issued during the previous eight years, 1985 to 1992, and to estimate the cost savings to Member States and Participating Organizations that can realistically be linked to the implementation of the JIU recommendations, including those savings that might have occurred if JIU recommendations which were not adopted had also been implemented.

Tasks for the Senior Consultant:

- To study each JIU report and note issued between 1 January 1985 and 31 December 1992, and discuss their findings with appropriate Inspectors and JIU staff
- To identify those Reports and Notes that have recommendations that could result in cost savings to Member States and Participating Organization, if implemented;
- To discuss these JIU recommendations with selected or involved Member States and Participating Organizations, concentrating on the cost savings that could result from full and complete implementation of the JIU recommendation;
- To develop a realistic methodology for estimating the legitimate cost savings that might be assigned to the implementation of each JIU recommendation;
- To calculate and document for the JIU, cost savings assigned to the implementation of each JIU recommendation;
- To draft a report on the exercise conforming to the United Nations limitations on the number of pages for documents;
- To make proposals for enhancing the cost savings capabilities of the JIU;
- To complete the above tasks by 31 May 1993.